

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
GLOBAL PLUS 2C CONTRACTS (MC2012-5)
NEGOTIATED SERVICES AGREEMENTS

Docket Nos.
MC2012-5
CP2012-10
CP2012-11

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD GLOBAL PLUS
2C TO THE COMPETITIVE PRODUCTS LIST AND NOTICE OF FILING TWO
FUNCTIONALLY EQUIVALENT GLOBAL PLUS 2C CONTRACTS NEGOTIATED
SERVICE AGREEMENTS AND APPLICATION FOR NON-PUBLIC TREATMENT OF
MATERIALS FILED UNDER SEAL**
(December 30, 2011)

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seq., and Order No. 112,¹ the United States Postal Service (Postal Service) hereby requests that Global Plus 2C contracts, as expressed through two functionally equivalent Global Plus 2C agreements which are successor contracts to the two Global Plus 2B contracts, be added to the competitive product list within the Mail Classification Schedule (MCS).² Prices and classifications not of general applicability for Global Plus 2 Contracts were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Direct, Global Bulk Economy, and Global Plus Contracts, issued on July 16, 2008 (Governors' Decision No. 08-10).³ Subsequently, the Postal Regulatory Commission (Commission) determined

¹ PRC Order No. 112, Order Concerning Global Plus 2 Negotiated Service Agreements, Docket Nos. MC2008-7, CP2008-16, and CP2008-17, October 3, 2008.

² See PRC Order No. 693, Order Approving Global Plus 2B to the Competitive Product List and Approving Functionally Equivalent Global Plus 2B Contracts, PRC Docket Nos. MC2011-8, CP2011-41 and CP2011-42, at 8.

³ A redacted copy of this decision was filed as an attachment to Request of the United States Postal Service to Add Global Plus 2 Negotiated Service Agreements to the Competitive Product List, and Notice of Filing (Under Seal) The Enabling Governors' Decision and Two Functionally Equivalent Agreements,

that the Global Plus 2 contracts filed in Docket Nos. CP2008-16 and CP2008-17,⁴ and the Global Plus 2 contracts filed in Docket Nos. CP2009-48 and CP2009-49 were functionally equivalent to each other and included them within the Global Plus 2 product on the Competitive Products List.⁵ In addition, the Commission added the contracts filed in Docket Nos. CP2010-69 and CP2010-70 to the competitive product list as a new product, Global Plus 2A,⁶ and the contracts filed in Docket Nos. CP2011-41 and CP2011-42 to the competitive product list as a new product, Global Plus 2B.⁷ With this request, the Postal Service seeks to add the Global Plus 2C product grouping to the competitive products list with the new baseline agreements filed herein.⁸ In support of this Request and Notice, the Postal Service is filing the following attachments:

- Attachment 1, an application for non-public treatment of materials filed under seal;

Docket Nos. MC2008-7, CP2008-16, and CP2008-17, August 8, 2008. An unredacted copy of the decision, as well as a record of proceedings, were filed under seal that same date.

⁴ PRC Order No. 112, at 8-9.

⁵ PRC Order No. 267, Order concerning Filing of a Functionally Equivalent Global Plus 2 Contract Negotiated Service Agreement, Docket No. CP2009-48, July 31, 2009, at 6-7; PRC Order No. 268, Order concerning Filing of a Functionally Equivalent Global Plus 2 Contract Negotiated Service Agreement, Docket No. CP2009-49, July 31, 2009, at 6-7.

⁶ PRC Order No. 505, at 9.

⁷ PRC Order No. 623, at 8.

⁸ PRC Order No. 290, Order Granting Clarification and Adding Global Expedited Package Services 2 to the Competitive Product List, Docket No. CP2009-50, August 28, 2009. In Order No. 290, at 3, the Commission identified requirements for the establishment of new baseline instruments. In particular, the Commission advised that "[f]uture requests to implement a new baseline agreement should be filed as an MC docket since it will result in adding a new product to the product list and may result in removing a product from the product list." The Postal Service is not undertaking to remove Global Plus 2B from the product list at this time, however, because the arrangements for Global Plus 2B described in Docket Nos. CP2011-41 and CP2011-42, which are functionally equivalent to the Global Plus 2 product, are ongoing at this time.

- Attachment 2A, a redacted version of Governors' Decision No. 08-10 that authorizes Global Plus 2 contracts, in accordance with the Commission's instructions in Order No. 623;⁹
- Attachment 2B, a redacted version of Governors' Decision No. 11-6, which authorizes management to prepare any necessary product description of nonpublished competitive services, including text for inclusion in the MCS, and to present such matter for review by the Commission;¹⁰
- Attachment 2C, a revised version of MCS 2510.6 Global Plus Contracts;
- Attachments 2D and 2E, redacted versions of the certified statements required by 39 C.F.R. § 3015.5(c)(2); and
- Attachment 3, a Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, which is similar to the Statement of Supporting Justification used to support the classification of Global Plus 2,¹¹ and which is filed pursuant to 39 C.F.R. § 3020.32;¹² and
- Attachments 4A and 4B, redacted versions of the contracts

Governors' Decision No. 08-10, Governors' Decision No. 11-6, a redacted version of the certified statements required by 39 C.F.R. § 3015.5(c)(2), and the

⁹ See Order No. 623, at 7.

¹⁰ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 11-6), March 22, 2011.

¹¹ Request of the United States Postal Service to Add Global Plus 2 Negotiated Service Agreements to the Competitive Product List, and Notice of Filing (Under Seal) the Enabling Governors' Decision and Two Functionally Equivalent Agreements, Docket Nos. MC2008-7, CP2008-16, CP2008-17, August 8, 2008, at Attachment 2. This document is available at <http://prc.gov/Docs/60/60671/GlobalPlus2Request%20.pdf>.

¹² Request of the United States Postal Service to Add Global Plus 2 Negotiated Service Agreements to the Competitive Product List, and Notice of Filing (Under Seal) the Enabling Governors' Decision and Two Functionally Equivalent Agreements, Docket Nos. MC2008-7, CP2008-16, CP2008-17, August 8, 2008, Attachment 2.

contracts and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission.

Redacted versions of the supporting financial documents for each contract are included with this filing as separate Excel files.

I. Background

The contracts that are the subject of this filing are the immediate successors to the instruments that the Commission found to be eligible for inclusion in the Global Plus 2B product in Docket Nos. CP2011-41 and CP2011-42. The contracts are on behalf of the same customers as in Docket Nos. CP2011-41 and CP2011-42. The contracts that are the subject of this docket are scheduled to become effective upon the termination of the agreements that are the subject of Docket Nos. CP2011-41 and CP2011-42. The Postal Service respectfully requests that the instant contracts be considered the new “baseline” contracts for future functional equivalency analyses concerning the Global Plus 2 product.¹³ As such, in keeping with the Commission’s classification approach in Order No. 290, the renewed contracts would presumably be listed as Global Plus 2C on the Competitive Product List, the successor product name to Global Plus 2B.

II. Identification of the Additional Global Plus 2 Contracts

The Postal Service believes that these additional Global Plus 2 contracts fit within the Mail Classification Schedule (MCS) language for Global Plus 2, included as Attachment A to Governors’ Decision No. 08-10, as revised in Attachment 2C.¹⁴

¹³ See Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9, and CP2008-10. June 27, 2008, at 8 (applying standards for the filing of functionally equivalent contracts); Order No. 623, at 6-7.

¹⁴ PRC Order No. 86. Order Concerning Global Expedited Package Services Contracts, Docket No. CP2008-5, June 27, 2008, at 6.

These agreements are the immediate successors and counterparts of the Global Plus 2 contracts at issue in Docket Nos. CP2011-41 and CP2011-42, which are scheduled to expire on “11:59 p.m. on the date prior to the date in January, 2012, when Canada Post Corporation institutes price changes for its domestic Lettermail, Incentive Lettermail, Admail, and/or Publications Mail during the month of January, 2012.”¹⁵

Because Canada Post Corporation is scheduled to institute price changes for its domestic Lettermail, Incentive Lettermail, Admail and/or Publications Mail on January 16, 2012, the instant agreements that are the subject of this filing are set to begin on January 16, 2012, at the expiration of the customers’ current customized agreements. By their terms, the agreements will remain effect until 11:59 p.m. on the date prior to the date in January, 2013, when Canada Post Corporation institutes price changes for its domestic Lettermail, Incentive Lettermail, Admail, and/or Publications Mail products. Should Canada Post Corporation not change prices for its domestic Lettermail, Incentive Lettermail, Admail, and/or Publications Mail during the month of January 2013, the agreement shall terminate at 11:59 p.m. on January 31, 2013.

Since the Postal Service filed its notice concerning the Global Plus 2B contracts in December 2010,¹⁶ the Postal Service has considered and adopted certain changes to the Global Plus 2B contract that are included in the Global Plus 2C contracts in Attachments 4A and 4B of this filing.

¹⁵ Request of the United States Postal Service to add Global Plus 2B to the Competitive Product List and Notice of Filing Two Functionally Equivalent Global Plus 2B Contracts Negotiated Service Agreements and Application for Non-Public Treatment of Materials Filed Under Seal, Docket Nos. MC2011-8 and CP2011-42 and CP2011-43, December 9, 2010, Attachment 2A, at 8, Article 12; Notice of the United States Postal Service of Filing a Signed Global Plus 2B Negotiated Service Agreement, Docket Nos. MC2011-8 and CP2011-41, December 14, 2010, Attachment 1, at 8, Article 12.

¹⁶ Request of the United States Postal Service to Add Global Plus 2B to the Competitive Products List and Notice of Filing Two Functionally Equivalent Global Plus 2B Contracts Negotiated Service Agreements and Application for Non-Public Treatment of Materials Filed Under Seal, PRC Docket Nos. MC2011-8, CP2011-41, and CP2011-42, December 9, 2010.

III. Functional Equivalence of Global Plus 2C Contracts to Each Other

The Global Plus 2C contracts under consideration are functionally equivalent to each other, in that they share similar cost and market characteristics. In Governors' Decision No. 08-10, the Governors established a pricing formula and classification that ensure each Global Plus 2 contract meets the criteria of 39 U.S.C. § 3633 and the regulations promulgated thereunder. The pricing formula relied on for these Global Plus 2C contracts is included in Governors' Decision No. 11-6, which is included as Attachment 2B to this filing.

Therefore, the costs of each Global Plus 2C contract conform to a common description. In addition, the Global Plus 2C language proposed for the MCS requires that each Global Plus 2C contract must cover its attributable costs. The contracts at issue here meet the Governors' criteria and thus exhibit similar cost and market characteristics to the previous Global Plus 2 contracts, and therefore should be classified as a single product

The contracts that are the subject of this filing are very similar except with respect to each customer's identifying information and a limited number of terms in Article 17, paragraph 1, and Article 13, paragraph 1 of the instruments.¹⁷ The salient differences between the two agreements include:

- a variation in the commitment to tender a certain amount of postage that is set forth in the first paragraph of Article 7 of the agreements; and
- a resulting variation in the penalties for non-achievement of commitments, which is set forth in the first paragraph of Article 13 of the contracts.

¹⁷ In the interest of protecting the Postal Service's and the customers' proprietary interests in negotiated pricing, however, the Postal Service declines to indicate here whether the prices are or are not identical between the two contracts.

These differences are the result of the course of negotiations concerning the agreements. These differences do not affect the rate design used to generate the rates for Global Plus 2. The changes do not affect the market characteristics of the Global Plus 2 product.

The Global Plus 2C product is distinct from the Global Plus 2B product because of the addition of International Business Reply services to the Global Plus 2 product, which is set forth in a minor classification change that is included in this filing as Attachment 2C. This change is reflected in the financial models that are included in this filing. This change to the Global Plus 2 product is authorized by Governors' Decision No. 11-6, which states that with respect to Outbound International Competitive Agreements, such as Global Plus 2, "management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission."¹⁸

Given that the customers that signed these agreements are similar in their relevant customer characteristics, this similarity in agreements is appropriate and does not produce an implicit lack of functional equivalence. Therefore, the Postal Service respectfully submits that the two agreements are functionally equivalent to each other and should be grouped together as a single product.

IV. Filing under Part 3020, Subpart B of the Rules of Practice and Procedure

¹⁸ Governors' Decision No. 11-6, at 1-2. Governors' Decision No. 11-6 states that "Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2)."

In support of the Postal Service's proposed addition of a product not of general applicability to the competitive product list appearing in the MCS, the Postal Service is providing a copy of Governors' Decisions Nos. 08-10 and 11-6. Governors' Decision No. 08-10 includes a copy of the applicable sections of the MCS for Global Plus 2, which the Postal Service is proposing to revise as set forth in Attachment 2C, as authorized by Governors' Decision No. 11-6.

In addition, in accordance with 39 C.F.R. § 3020.30, the Postal Service is providing a Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, as Attachment 3. This Statement is a revision of the Statement of Supporting Justification by the same individual, which was included in the Postal Service's request to add the Global Plus 2 product as a competitive product within the MCS, in Docket Nos. MC2008-7, CP2008-16, CP2008-17.¹⁹ Mr. Cebello's statement provides support for the addition of Global Plus 2C to the competitive products list.

Under 39 U.S.C. § 3642(b), the only criteria for such review are whether the product qualifies as market dominant, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of these criteria has previously been addressed in relation to Global Plus 2 contracts,²⁰ as well as in relation to International Business Reply Service which is included in the

¹⁹ Request of the United States Postal Service to Add Global Plus 2 Negotiated Service Agreements to the Competitive Product List, and Notice of Filing (Under Seal) the Enabling Governors' Decision and Two Functionally Equivalent Agreements, Docket Nos. MC2008-7, CP2008-16, CP2008-17, August 8, 2008, Attachment 2.

²⁰ Notice of the United States Postal Service of Filing Two Functionally Equivalent Global Plus 2A Contracts Negotiated Service Agreements, PRC Docket Nos. MC2010-27, CP2010-69, and CP2010-70, July 13, 2010, at 8;

Global Plus 2C contracts that are the subject of this filing.²¹ In Order No. 43, the Commission assigned all negotiated service agreements (NSAs) concerning outbound international mail to the competitive category.²² All Global Plus 2C contracts, regardless of whether they may be classified as a single product or individually, are NSAs concerning outbound international mail. Therefore, there is no further need to ponder whether Global Plus 2C contracts are market dominant or covered within the postal monopoly. To the extent that the Commission believes the additional considerations listed in 39 U.S.C. § 3642(b)(3) have not yet been satisfied, the Postal Service is filing Mr. Cebello's Statement of Supporting Justification in Attachment 3 to this filing. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the competitive products list as requested.

V. Conclusion

For the reasons discussed above, and on the basis of the financial data filed under seal, the Postal Service has established that these new Global Plus 2C contracts are in compliance with the requirements of 39 U.S.C. § 3633, fit within the proposed Mail Classification Schedule (MCS) language for Global Plus Contracts under Governors' Decision No. 08-10 and Governors' Decision No. 11-6, and are functionally equivalent to each other. Accordingly, the Postal Service requests that Global Plus 2C be added to the competitive product list, that the contracts included in this filing be

²¹ Statement of Supporting Justification in Request of the United States Postal Service to Add International Business Reply Service Contracts to the Competitive Products List, and Notice of Filing (Under Seal) Contract and Enabling Governors' Decision, Docket Nos. MC2009-14 and CP2009-20, December 24, 2008, at Attachment 1.

²² PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. RM2007-1, App. A, at 9, 11.

included within the Global Plus 2C product, and that the contracts included in this filing be considered the baseline agreements for future functional equivalency analyses for the Global Plus 2C product.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business and Service Development
Corporate and Postal Business Law Section

Christopher C. Meyerson
Attorney

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-7820; Fax -5628
christopher.c.meyerson@usps.gov
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APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,¹ the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket and the accompanying Global Plus contract docket.² The materials pertain to four Global Plus contracts -- two Global Plus 1C contracts that the Postal Service believes are functionally equivalent to each other and should be considered as the new “baseline” contracts for future functional equivalency analyses concerning the Global Plus 1 product established by the Commission,³ and two Global Plus 2C contracts that the Postal Service believes are functionally equivalent to each other and should be considered as the new “baseline” contracts for future functional equivalency analyses concerning the Global Plus 2 product established by the Commission.⁴ The contracts and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. Redacted copies of the related Governors’ Decisions, the certified statement required by 39 C.F.R. 3015.5(c)(2) for each contract, and the contracts are filed as Attachments 2A, 2B, 2D, 2E, 4A, and 4B to the Postal

¹ PRC Order No. 225, Final Rules Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

² A similar Application for Non-Public Treatment will be filed with the accompanying Global Plus 1C contracts that the Postal Service will file in the near future. The financial documents included in this filing concern not only the Global Plus 2C contracts that are the subject of this docket, but also the Global Plus 1C contracts that the Postal Service will be filing with the Commission in the near future.

³ See PRC Order No. 504, Order Approving Functionally Equivalent Global Plus 1A Contracts Negotiated Service Agreement, PRC Docket Nos. MC2010-26, CP2010-67, and CP2010-68, July 30, 2010, at 6-7.

⁴ See PRC Order No. 505, Order Approving Functionally Equivalent Global Plus 2A Contracts Negotiated Service Agreements, Docket Nos. MC2010-27, CP2010-69, and CP2010-70, July 30, 2010, at 6-7.

Service's Notice, respectively. A redacted version of other financial documentation is filed publicly as a separate Microsoft Excel document.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).⁵ Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of Global Plus 1C and 2C contracts, the Postal Service believes that the third parties with a proprietary interest in the materials are the customers with whom

⁵ The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

the contracts are made, Canada Post Corporation (Canada Post), and the supplier for the Global Bulk Economy service.⁶ The Postal Service maintains that customer identifying information should be withheld from public disclosure. Therefore, rather than identifying the customers for these contracts, the Postal Service gives notice that it has already informed the customers, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to the customers with proprietary interest in the materials filed in this docket is Mr. James J. Crawford, Business Development Specialist, Global Business, United States Postal Service, 475 L'Enfant Plaza, Room 2P020, Washington, DC 20260-0020, whose email address is james.j.crawford@usps.gov, and whose telephone number is 202-268-7714.

The financial documentation also contains information that could be considered proprietary to Canada Post. The Postal Service has already informed Canada Post, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its

⁶ However, other postal operators can be considered to have a proprietary interest in some rate information in the financial workpapers included with this filing. The Postal Service maintains that such information should be withheld from public disclosure. In view of the practical difficulties, the Postal Service has not undertaken to inform all affected postal operators about the nature and scope of this filing and about the ability to address any confidentiality concerns directly with the Commission as provided in 39 C.F.R. § 3007.20(b). Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators. The Postal Service identifies as an appropriate contact person Guadalupe Contreras, EMS Manager, International Postal Relations. Ms. Contreras' phone number is (202) 268-4598, and her email address is guadalupe.n.contreras@usps.gov. The Postal Service acknowledges that 39 C.F.R. § 3007.21 (c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing in the absence of actual notice might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver that would allow it to forgo providing a notice to each postal operator, and to designate a Postal Service employee as the contact person under these circumstances, since it is impractical to communicate with dozens of operators in multiple languages about this matter.

ability to address its confidentiality concerns directly with the Commission. The Postal Service identifies Ewa Kowalski, Canada Post Corporation, as the appropriate contact on behalf of Canada Post. Ms. Kowalski's telephone number is (613) 734-6201, and her email address is ewa.kowalski@canadapost.postescanada.ca. Canada Post has requested that any communications regarding confidential treatment of these data be sent with a courtesy copy to Dennis Jarvis, General Manager, International Product Management, Canada Post Corporation. Mr. Jarvis's telephone number is (613) 734-8149, and his email address is dennis.jarvis@canadapost.ca.⁷

The Postal Service maintains that identifying information concerning the supplier for the Global Bulk Economy service should be withheld from public disclosure. Therefore, rather than identifying the supplier, the Postal Service gives notice that it has already informed the supplier, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing such notice to a third party with proprietary interest in the materials filed in this docket is Mr. Michael B. Frady (Burt), International Operations Specialist, Global Business, United States Postal Service, 475 L'Enfant Plaza, SW, Washington, DC 20260-0660, whose email address is Michael.b.Frady@usps.gov, and whose telephone number is 202-268-7044.

⁷ In the event of a request for early termination of non-public treatment under 39 C.F.R. § 3007.31, a preliminary determination of non-public status under 39 C.F.R. § 3007.32, or a request for access to non-public materials under 39 C.F.R. § 3007.40, the Postal Service notes, on Canada Post's behalf, that differences in the official observation of national holidays might adversely and unduly affect Canada Post's ability to avail itself of the times allowed for response under the Commission's rules. In such cases, Canada Post has requested that the Postal Service convey its preemptive request that the Commission account for such holidays when accepting submissions on matters that affect Canada Post's interests. A listing of Canada's official holidays can be found at <http://www.pch.gc.ca/pgm/ceem-cced/jfa-ha/index-eng.cfm>.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Notice filed in this docket, the Postal Service included two contracts, as well as financial workpapers, and the certified statement required for each contract by 39 C.F.R. § 3015.5(c)(2), certifying that the agreement should meet the requirements of 39 U.S.C. § 3633(a)(1), (2), and (3). These materials were filed under seal, with redacted copies filed publicly, after notice to each customer. The Postal Service maintains that the redacted portions of the contracts, related financial information, and identifying information concerning the customers should remain confidential.

With regard to the contracts filed in this docket, the redactions on page 1 and to the footers of each page, the article concerning notices, and the signature block constitute the name or address of a postal patron whose identifying information may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c)(2). The redacted portions of the footers of the Annexes also protect the customer's identifying information from disclosure.

Other redacted information in the agreements includes negotiated contract terms, such as the minimum volume and/or revenue commitment agreed to by the customer, various penalties, the discount received, and the percentage of exchange rate and cost increases which may trigger a consequential price increase.

The redactions made in the Annexes of the contracts, other than those involving the customer's name, withhold the actual prices that are being offered to the customers

in exchange for commitments and performance of their obligations under the terms of the agreements.

The redactions applied to the financial workpapers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, information relevant to the mailing profile of the customer, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b). However, in a limited number of cases, narrative passages, such as words or numbers in text, were replaced with general terms describing the redacted material. For example, where the mailer's name appears in the spreadsheet within a cell, it has been replaced by the word "Mailer." Likewise, where an actual number appears as a percentage discount as a column header, in the public filing the number is replaced by the word "Discount" and followed by the percentage symbol (e.g., "Discount%").

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the portions of the contracts that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. First, revealing customer-identifying information would enable competitors to focus marketing efforts on current postal customers, undermining the effort and resources that the Postal Service has invested in cultivating business relationships with those customers

Other redacted information in the Agreements (which are included as Attachments 4A and 4B to this notice) includes negotiated contract terms, such as the

minimum volume and/or revenue commitment agreed to by the customer, various penalties and the percentage of cost increase which may trigger a consequential price increase. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the offers made by the Postal Service to its customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, other potential customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers include specific information such as costs, assumptions used in pricing formulas, the formulas themselves, mailer profile information, projections of variables, contingency rates included to account for market fluctuations and the exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Unlike its competitors, the Postal Service is required by the mail classification schedule to demonstrate that each negotiated agreement within this group covers its attributable costs. Furthermore, the Postal Service's Governors have required that each contract be submitted to the Commission with a notice that complies with 39 C.F.R. § 3015.5.⁸

Thus, competitors would be able to take advantage of the information to offer lower

⁸ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Plus Contracts (Governors' Decision No. 08-8), May 28, 2008, at 2-3 and Attachment A; Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Direct, Global Bulk Economy, and Global Plus Contracts (Governors' Decision No. 08-10), July 16, 2008, at 2-3 and Attachment A.

pricing to the Global Plus 1C and/or Global Plus 2C customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant delivery services markets. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the contracts or from the information in the workpapers whether additional margin for net profit exists between the contracts being filed and the contribution that Global Plus 1C and/or Global Plus 2C contracts must make. From this information, each customer could attempt to negotiate ever-increasing incentives, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even a customer involved in this filing could use the information in the workpapers in an attempt to renegotiate its own rates by threatening to terminate its current agreement, although the Postal Service considers this risk to be lower in comparison to those previously identified.

Price information in the contracts and financial spreadsheets also consists of sensitive commercial information of the customer. Disclosure of such information could be used by competitors of the customer to assess its underlying costs, and thereby develop a benchmark for the development of a competitive alternative.

Information in the financial spreadsheets also consists of sensitive commercial information of Canada Post. Disclosure of such information could be used by competitors of Canada Post to develop competitive alternatives to its products.

Information in the financial spreadsheets also consists of sensitive commercial

information of the supplier for the Global Bulk Economy service. Disclosure of such information could be used by competitors of the supplier for the Global Bulk Economy service to develop competitive alternatives to its products.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Identified harm: Revealing customer identifying information would enable competitors to target the customers for sales and marketing purposes.

Hypothetical: The identity of the customer in this contract is revealed to the public.

Another delivery service has an employee monitoring the filing of Global Plus 1C and/or Global Plus 2C contracts and passing along the information to its sales function. The competitor's sales representatives can then quickly contact the Postal Service's customer and offer the customer lower rates or other incentives to terminate its contract with the USPS in favor of using the competitor's services.

Identified harm: Public disclosure of negotiated terms of the agreement could be used by competitors and potential customers to the Postal Service's detriment.

Hypothetical: Customer A signs a Global Plus 1C and/or 2C contract that is filed with the Postal Regulatory Commission. At the same time, Customer B is considering signing a similar Global Plus 1C or 2C contract and has no real concern about the penalty provision, which calls for Customer B to pay up to \$10,000 in penalty if it fails to meet its minimum volume commitment before termination of the agreement. The information about Customer A's penalty is made public. Customer A's agreement calls

for a \$5,000 maximum payment as penalty. Customer B sees the information.

Customer B now insists that it will not agree to be obligated to pay any more than

Customer A was obligated to pay, diminishing the Postal Service's bargaining leverage.

Identified harm: Public disclosure of information in the financial workpapers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. It analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its Global Plus 1C and/or Global Plus 2C customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for international delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of the business-to-business and business-to-customer delivery services markets for which the Global Plus 1C and 2C product is designed.

Identified harm: Public disclosure of the rate charts in the Annexes would provide potential customers extraordinary negotiating power to extract lower rates.

Hypothetical: Customer A's negotiated rates are disclosed publicly on the Postal Regulatory Commission's website. Customer B sees the rates and determines that there may be some additional profit margin between the rates provided to Customer A and the statutory cost coverage that the Postal Service must produce in order for the agreement to be added to the competitive products list. Customer B, which was offered rates identical to those published in Customer A's agreement, then uses the publicly available rate information to insist that it must receive lower rates than those the Postal Service has offered it, or it will not use the Postal Service for its international delivery needs.

Alternatively, Customer B attempts to extract lower rates only for those destinations for which it believes the Postal Service is the low-cost provider among all service providers. The Postal Service may agree to this demand in order to keep the customer's business overall, which it believes will still satisfy total cost coverage for the agreement. Then, the Customer uses other providers for destinations other than those for which it extracted lower rates. This impacts the Postal Service's overall projected cost coverage for the agreement, such that it no longer meets its cost coverage requirement. Although the Postal Service could terminate the contract when it first recognized that the mailer's practice and projected profile were at variance, the costs associated with establishing the contract, including filing it with the Postal Regulatory Commission, would be sunk costs that would have a negative impact on the Global Plus 1C and/or Global Plus 2C product overall.

Identified harm: Public disclosure of information in the financial workpapers would be used by the customer's competitors to its detriment.

Hypothetical: A firm competing with the customer obtains a copy of the unredacted version of one of the contracts and financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the prices and the workpapers to assess the customer's underlying costs, volumes, and volume distribution for the corresponding delivery products. The competitor uses that information to (i) conduct market intelligence on the customer's business practices, and (ii) develop lower-cost alternatives using the customer's mailing costs as a baseline.

Identified harm: Public disclosure of information in the contracts would be used by Canada Post's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers and contract from the Postal Regulatory Commission's website. The competitor analyzes the contract and workpapers to assess Canada Post's prices. The competitor uses that information to target its competitive offerings accordingly.

Identified harm: Public disclosure of information in the contracts would be used by competitors of the supplier for the Global Bulk Economy service to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the contract and workpapers to assess the prices of the supplier for the Global Bulk Economy service. The competitor uses that information to target its competitive offerings accordingly.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant delivery services markets, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials. This includes all competitors of the relevant customer, whether or not they are currently actual Postal Service customers.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR GLOBAL DIRECT, GLOBAL
BULK ECONOMY, AND GLOBAL PLUS CONTRACTS (GOVERNORS' DECISION NO. 08-10)**

July 16, 2008

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices. This decision establishes prices by setting price floor and price ceiling formulas for Global Direct and Global Bulk Economy Contracts, as well as for Global Plus Contracts that combine Global Direct and Global Bulk Economy services.¹ The types of contracts to which these prices will apply are described in Attachments A-1, A-2, and A-3,² the price floor and price ceiling formulas are specified in Attachments B-1, B-2, and B-3, and management's analyses of the appropriateness of these formulas is explained in Attachments C-1, C-2, and C-3. We have reviewed those analyses and have concluded

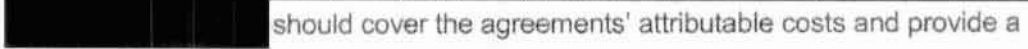
¹ In our Decision on the Establishment of Prices and Classifications for Global Plus Contracts (Governors' Decision No. 08-8), May 28, 2008, we established prices for Global Plus contracts that consist of any combination of International Priority Airmail, International Surface Airlift, Express Mail International and Priority Mail International. In that Decision, we noted that prices for Global Direct and Global Bulk Economy would be established at a later date. The instant Decision establishes a classification for Global Plus contracts similar to that previously established, in that it combines various component services and offers price incentives; the instant classification differs in the precise combination of services offered. Eligible customers may avail themselves of individual contracts for Global Direct and Global Bulk Economy, or they may combine these services under a Global Plus contract.

² The classifications for Global Direct and Global Bulk Economy contracts are contained in the Mail Classification Schedule language originally proposed by the Postal Service, as modified in Attachments A-1 and A-2. See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007. It should be noted that certain of the modifications involve changes to the size and weight charts pertaining to Global Bulk Economy Contracts to mirror the shape-based First-Class Mail International sizes and weights effective May 12, 2008. The classification for Global Plus contracts that combine Global Direct and Global Bulk Economy services is contained in Attachment A-3. Attachment A-3 contains many of the same provisions that were proposed in the Postal Service's original Mail Classification Schedule language for Global Plus Contracts, but the language has been specifically tailored to address only those Global Plus Contracts combining Global Direct and Global Bulk Economy services.

that the prices emerging from application of the formulas and the classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Contracts that fall within the terms specified in Attachments A-1, A-2, and A-3, and whose prices fall within the price ranges established by the price floor and price ceiling formulas specified in Attachments B-1, B-2, and B-3, respectively, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We have determined that prices established according to the formulas listed in Attachments B-1, B-2, and B-3 would be appropriate for the services covered by the types of Global Direct, Global Bulk Economy and Global Plus Contracts classified in Attachments A-1, A-2, and A-3, respectively. Management's analysis of the formulas, included as Attachments C-1, C-2, and C-3, supports our decision to establish prices through such formulas for the specified types of contracts.

We are satisfied that the prices established by the formulas in Attachments B-1, B-2, and B-3 meet the applicable statutory and regulatory requirements. The price floor formulas provide greater than 100 percent coverage of the costs attributable to each of these types of agreements. We accept and rely upon the certification in Attachment D that the correct cost inputs for the formulas have been identified. In addition, the price floor formulas

 should cover the agreements' attributable costs and provide a contribution toward the Postal Service's institutional costs. The formulas should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment D, entry into agreements pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 C.F.R. § 3015.5 and any other rules that the Commission deems applicable. The notice must include a

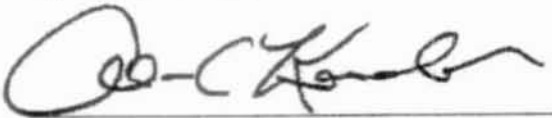
financial analysis that demonstrates that the agreement covers its attributable costs, based on [REDACTED] Attachments B-1, B-2, and B-3. The notice must also include a certification from a Postal Service official that the numerical values chosen for each agreement are appropriate, in that they represent the best available information and that the agreement should not result in a cross-subsidy from market dominant products and should not impair the ability of competitive products, as a whole, to cover an appropriate share of institutional costs.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Global Direct, Global Bulk Economy, and Global Plus Contracts, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within the formulas set by this Decision and the certification process specified herein is followed. After an authorized agreement is entered into, the Postal Service shall comply with all applicable statutory and regulatory requirements.

Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in black ink, appearing to read 'Alan C. Kessler', written over a horizontal line.

Alan C. Kessler
Chairman

Attachment A-1

Description of Applicable Global Bulk Economy Contracts

2610.4 Global Bulk Economy (GBE) Contracts

These are contracts for letter-post items that are dispatched in bulk via surface transportation to destination countries. The mailer must physically separate the sacks and/or pallets by rate group. Within each rate group direct country sacks weighing less than 11 pounds must be physically separated from other direct country sacks and identified with the letter "S" on the bag tag. To qualify, a mailer must tender all of its qualifying mail to the Postal Service and must be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service, paying at least \$2 million in First-Class Mail International postage to the Postal Service. For a mailer to qualify, the contract must cover its attributable costs.

Size and Weight for Letters/Small Packages/Packages:¹

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	24 inches	Length plus height plus thickness: 36 inches		4 pounds

¹ Packages of letter-size pieces of mail should be no thicker than approximately a handful of mail (4" to 6"); packages of flat-size mail may be thicker than 6", but weigh no more than 11 pounds. A package or packet is defined as 10 or more pieces of mail to the same country separation or 1 pound or more regardless of the number of pieces.

Size and Weight for Postcards:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	6 inches	4.25 inches	0.016 inch	Not applicable

Size and Weight for Letters:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	11.5 inches	6.125 inches	0.25 inch	3.5 ounces

Size and Weight for Large Envelopes (Flats):

	Length	Height	Thickness	Weight
Minimum ¹	11.5 inches	6.125 inches	0.25 inch	none
Maximum	15 inches	12 inches	0.75 inch	4 pounds

¹ Every minimum dimension does not have to be met; only one does.

Size and Weight for Packages (Small Packets):

	<u>Length</u>	<u>Height</u>	<u>Thickness</u>	<u>Weight</u>
<u>Minimum</u>	<u>Large enough to accommodate postage, address and other required elements on the address side.</u>			<u>None</u>
<u>Maximum</u>	<u>24 inches</u>	<u>Length plus height plus thickness:</u> <u>36 inches</u>		<u>4 pounds</u>

Size and Weight for Rolls:

	<u>Length</u>	<u>Length plus twice the diameter</u>	<u>Weight</u>
<u>Minimum</u>	<u>4 inches</u>	<u>6.75 inches</u>	<u>none</u>
<u>Maximum</u>	<u>36 inches</u>	<u>42 inches</u>	<u>4 pounds⁷⁰</u>

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The minimum volume requirement is 100 pounds per mailing.

Price Categories:

The discount percentage off a base rate is dependent upon a volume or postage commitment on the part of the customer.

Optional Features:

None

Attachment A-2

Description of Applicable Global Direct Contracts

2610.3 Global Direct Contracts

These are contracts giving a rate for mail acceptance within the United States and transportation to a receiving country with the addition by the customer of appropriate foreign postage charged by the receiving country. The preparation requirements are the preparation requirements for the given product set by the receiving country. All items must bear the postal imprint of the receiving country and a return address in the receiving country. To qualify, a mailer must ~~tender all of its qualifying mail to the Postal Service and be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service, paying at least \$2 million in First-Class Mail International postage to the Postal Service, or tendering at least 600 pieces of non-First-Class International mail to the Postal Service, or paying at least \$12,000 in non-First-Class Mail International postage to the Postal Service.~~ For a mailer to qualify, the contract must cover its attributable costs.

Size and Weight:

Size and weight requirements are the requirements for the given product set by the receiving country.

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The mailer may be required to meet minimum volume or weight requirements as specified by the Postal Service.

Price Category:

Prices are dependent upon a volume or postage commitment on the part of the customer and basically cover mail acceptance within the United States, transportation from the United States to the receiving country and the appropriate postage in the receiving country.

Optional Features:

All optional features applicable to the product as set by the receiving country.

Attachment A-3

Description of Applicable Global Plus Contracts

2610.6 Global Plus Contracts 2: Global Bulk Economy and Global Direct

These are contracts giving rates for a combination of Global Bulk Economy (GBE) and Global Direct (GD). These contracts are for high-volume mailers or Postal Qualified Wholesalers. For a mailer to qualify, the contract must cover its attributable costs.

The contracts include all destinations served by GBE and/or GD, as specified by the Postal Service. The preparation requirements are the same as for all GBE shipments. For GD shipments, the preparation requirements are the preparation requirements for the given product set by the receiving country. The mailer may be required to prepare specific shipments according to country specific requirements.

To qualify for a contract, a mailer must be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service.

Size and Weight for Postcards:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	6 inches	4.25 inches	0.016 inch	Not applicable

Size and Weight for Letters:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	11.5 inches	6.125 inches	0.25 inch	3.5 ounces

Size and Weight for Large Envelopes (Flats):

	Length	Height	Thickness	Weight
Minimum ²	11.5 inches	6.125 inches	0.25 inch	None
Maximum	15 inches	12 inches	0.75 inch	4 pounds

¹ Every minimum dimension does not have to be met; only one does.

Size and Weight for Packages (Small Packets):

	Length	Height	Thickness	Weight
Minimum	Large enough to accommodate postage, address and other required elements on the address side.			None
	Length	Length plus height plus thickness		Weight
Maximum	24 inches	36 inches		4 pounds

Size and Weight for Rolls:

	Length	Length plus twice the diameter	Weight ¹
Minimum	4 inches	6.75 inches	none
Maximum	36 inches	42 inches	4 pounds

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The minimum volume requirement for GBE is 100 pounds per mailing. The mailer may be required to meet a volume minimum or weight requirement for Global Direct. If paying through permit imprint, the mailer is required to meet the minimum volume or weight requirements in effect for manifest mailings.

Price Categories:

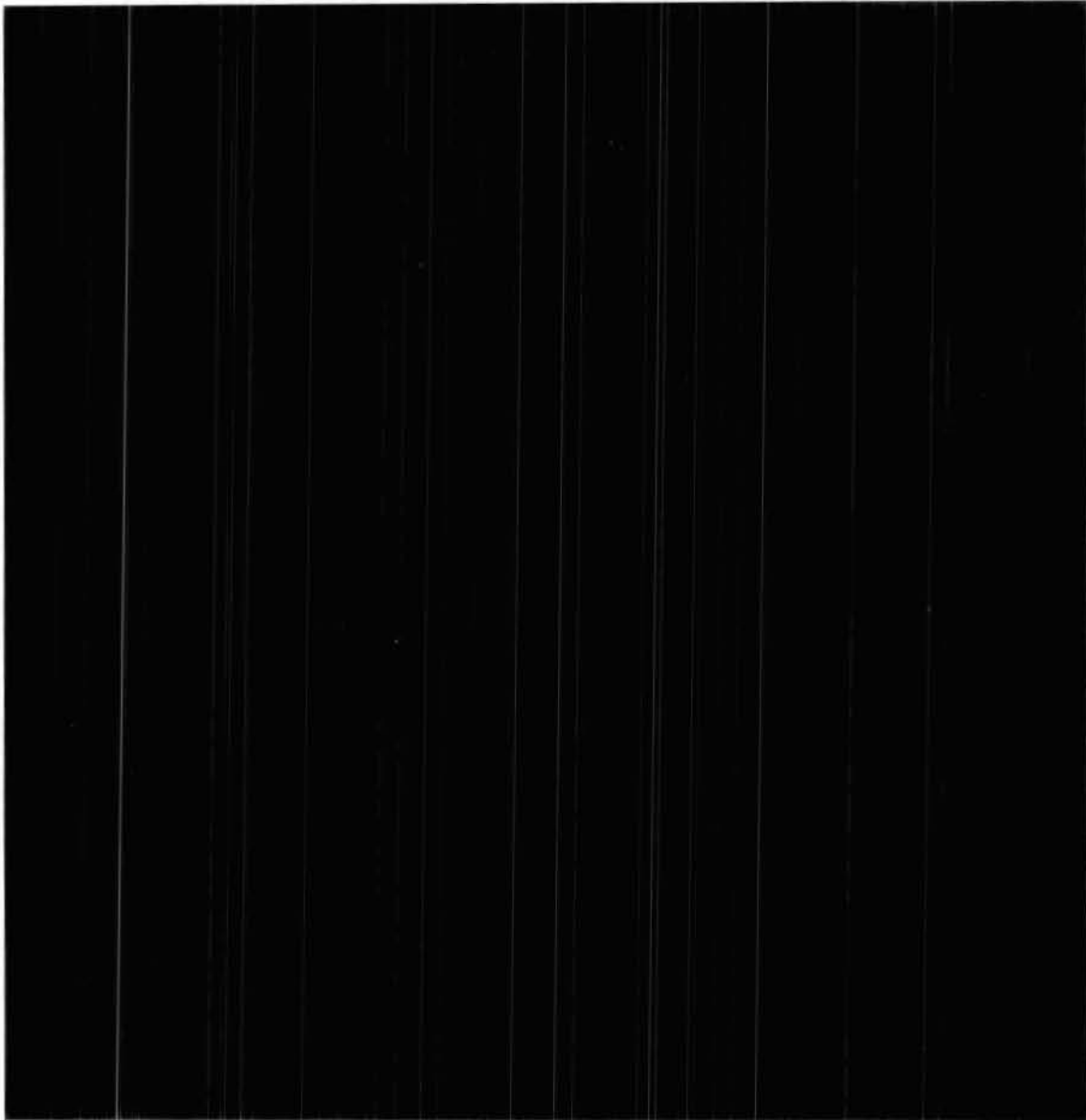
The discount percentage or price, as applicable to the service, is dependent upon a volume or postage commitment on the part of the customer. Additional tiered discounts are available if the mailer exceeds the minimum volume or postage commitment.

Optional Features:

For GD, all optional features applicable to the product as set by the receiving country.

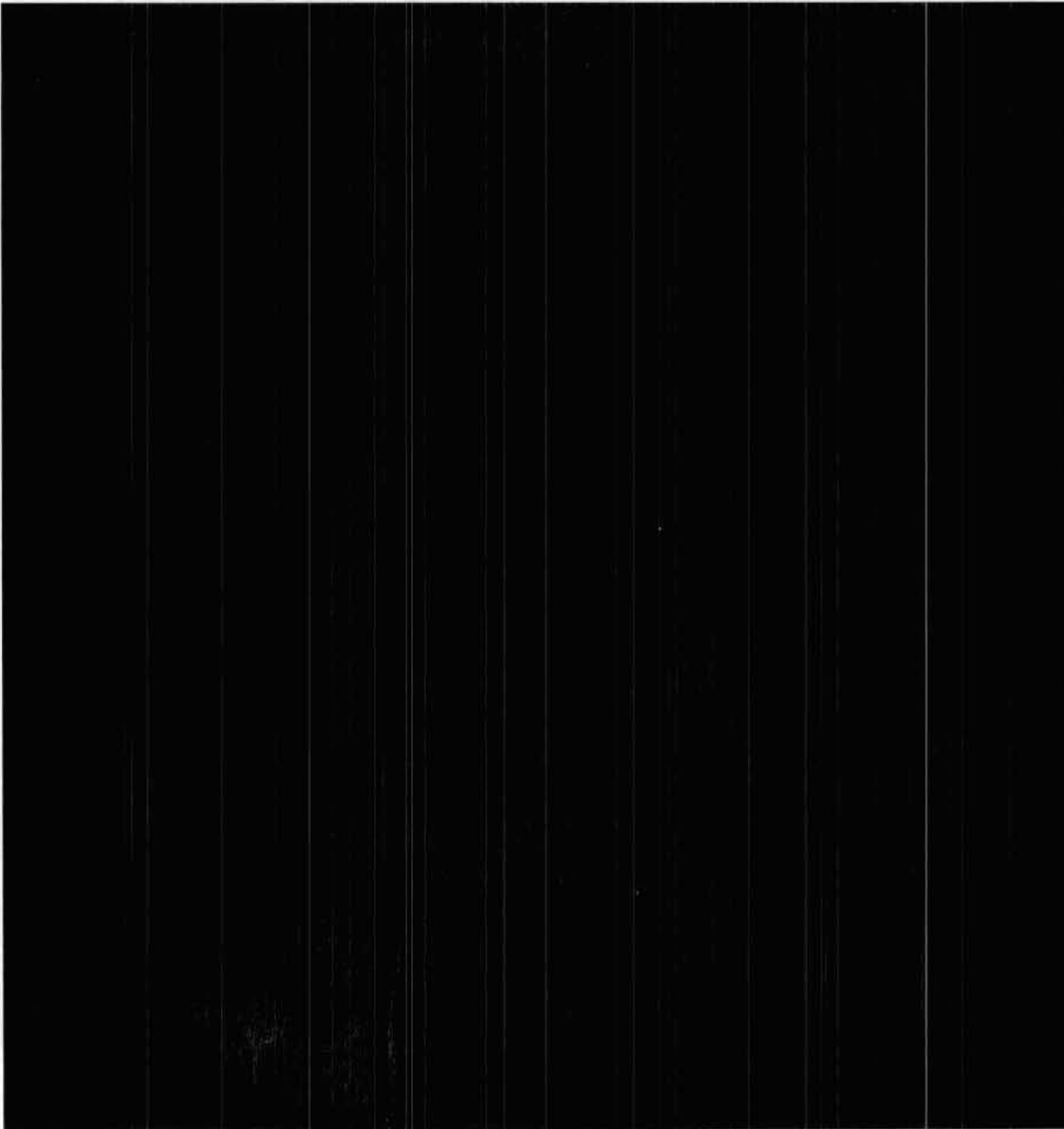
Attachment B-1

Formulas for Prices Under Applicable Global Bulk Economy Contracts



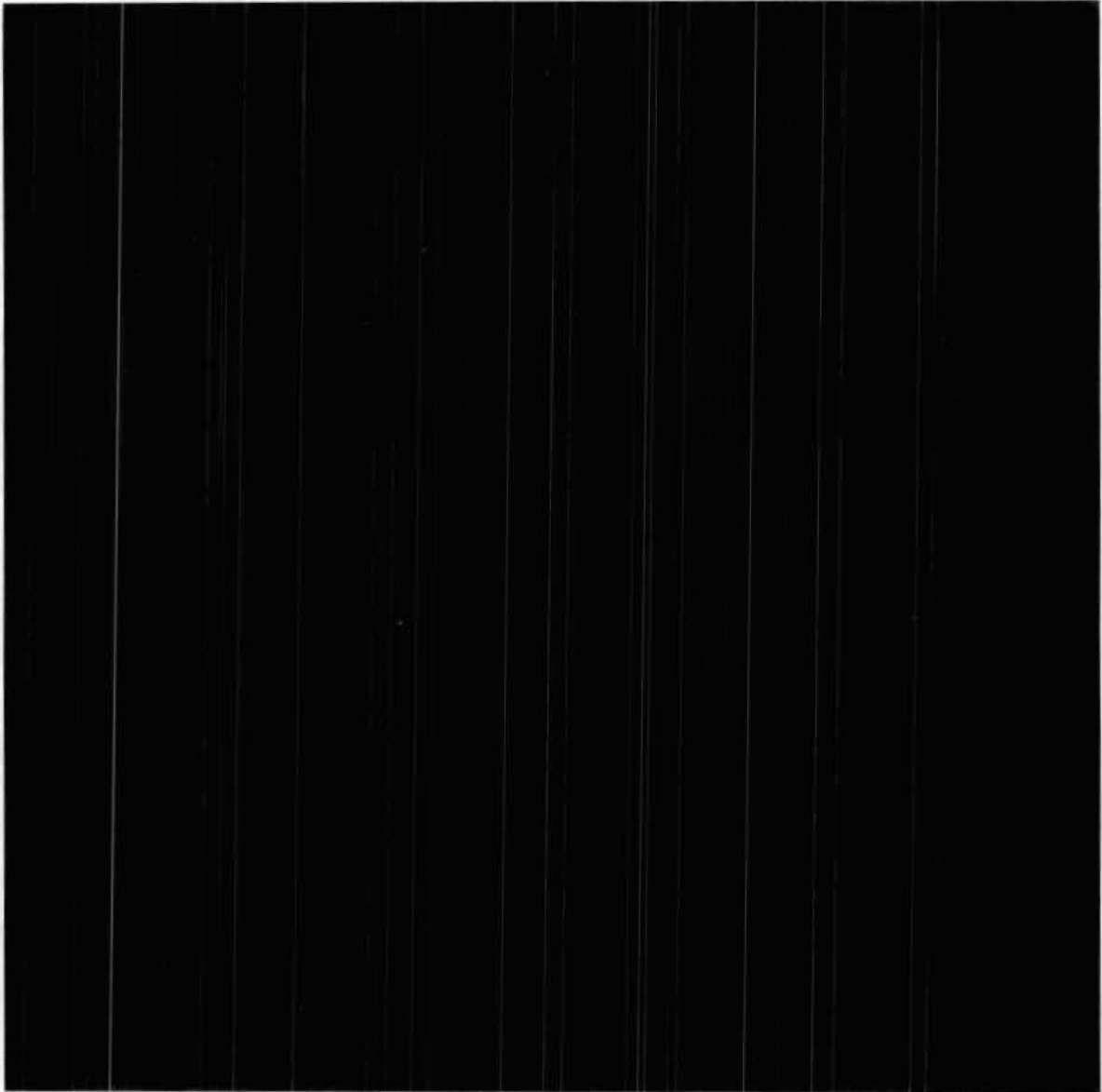
Attachment B-2

Formulas for Prices Under Applicable Global Direct Contracts



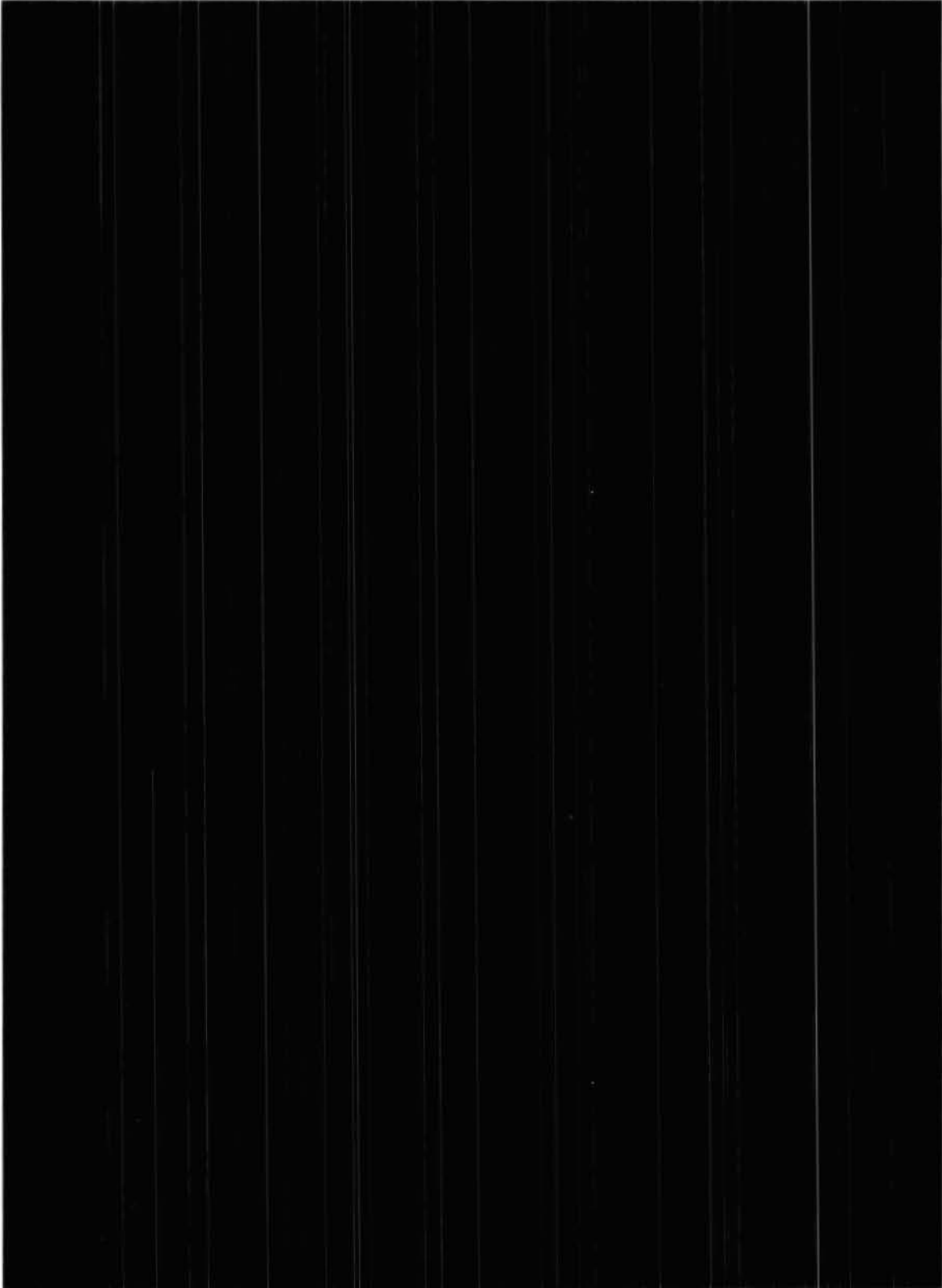
Attachment B-3

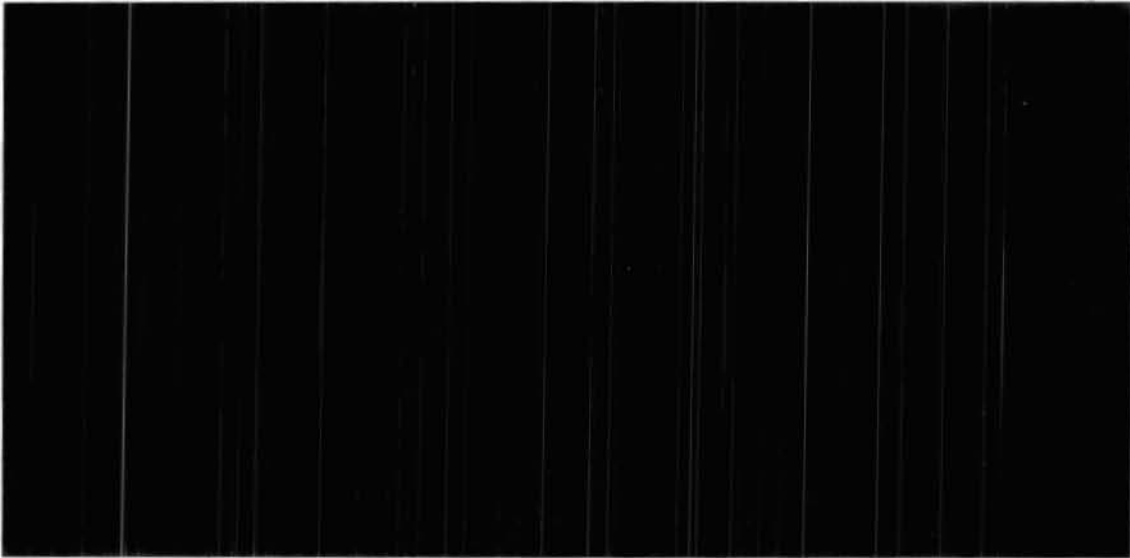
Formulas for Prices Under Applicable Global Plus Contracts



Attachment C-1

Analysis of the Formulas for Prices Under Applicable Global Bulk Economy
Contracts





Attachment C-2

Analysis of the Formulas for Prices Under Applicable Global Direct Contracts

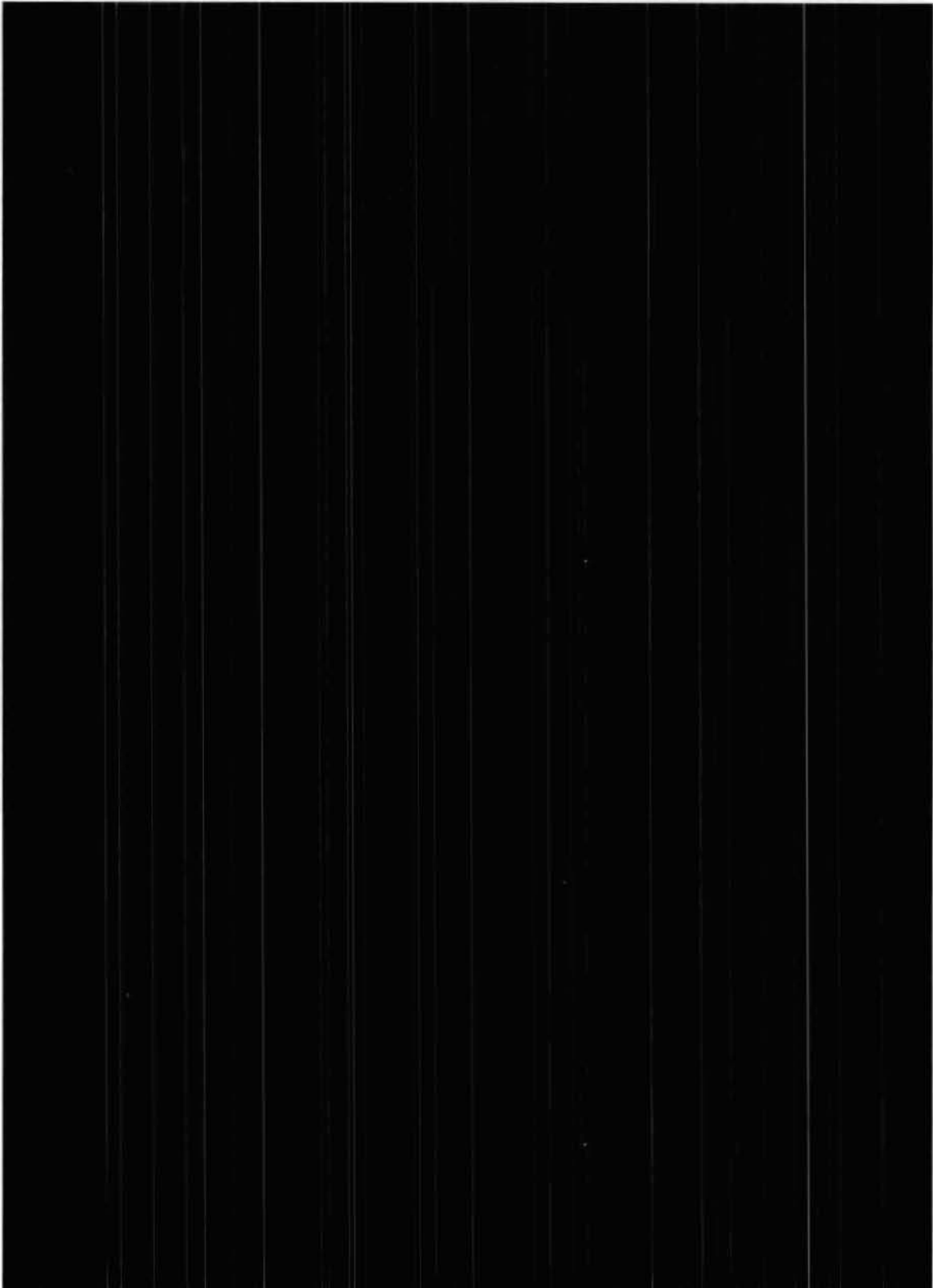


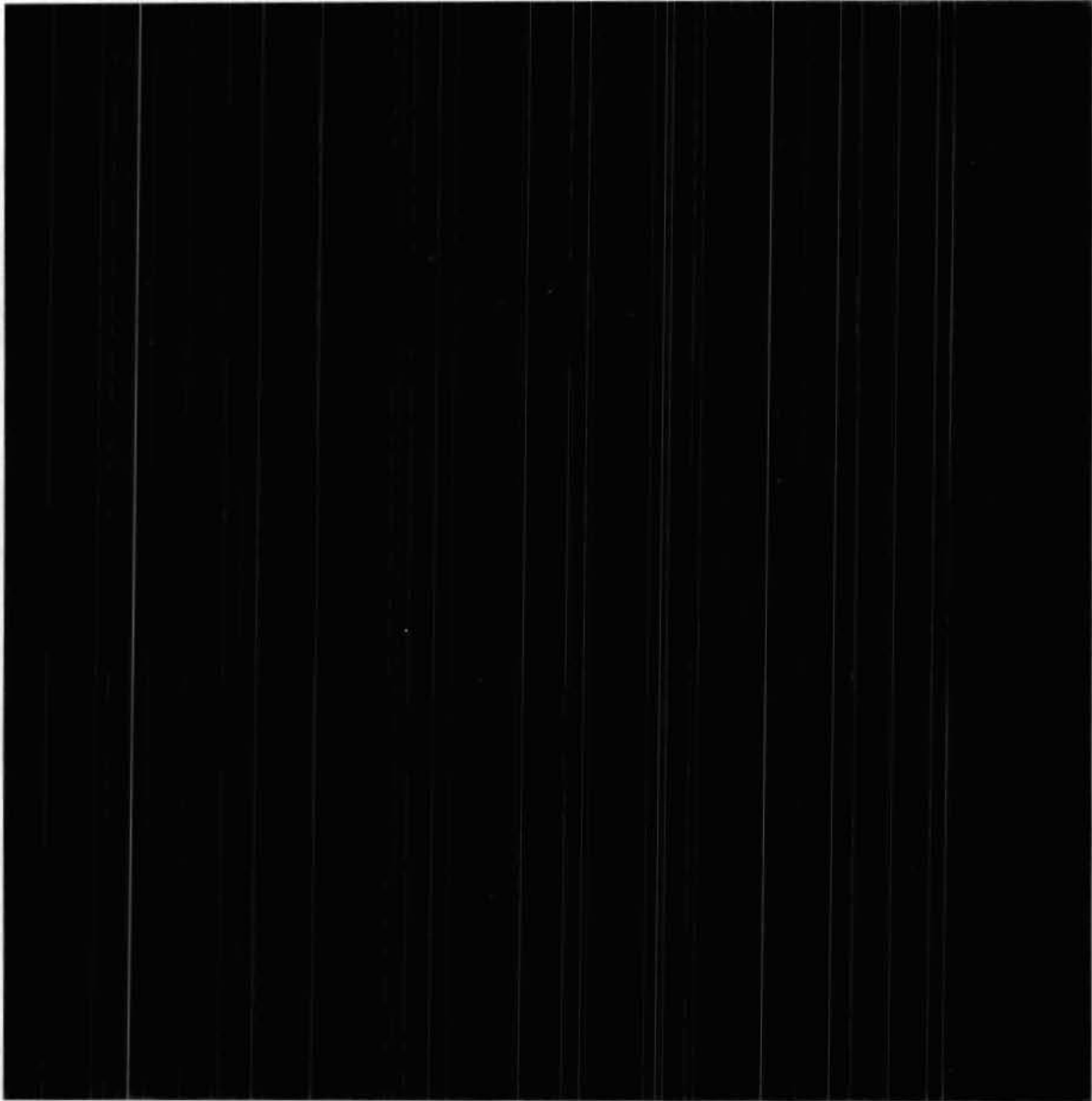


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Attachment C-3

Analysis of the Formulas for Prices Under Applicable Global Plus Contracts





Attachment D

Certification as to the Formulas for Prices Offered Under Applicable Global Bulk Economy, Global Direct, and Global Plus Contracts

I, W. Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the price floor formula and price ceiling formula for Global Bulk Economy Contracts, which are set forth in Attachment B-1; the formulas for Global Direct Contracts, which set forth in Attachment B-2; and the formulas for Global Plus Contracts, which are set forth in Attachment B-3.

I hereby certify that these formulas adequately represent all necessary [REDACTED] [REDACTED] if the Postal Service were to enter into agreements that set prices above the price floor, the Postal Service would be in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The price floor formula is designed to ensure that each agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2007, all outbound international competitive mail accounted for approximately 11 percent of the total contribution by all competitive products. Contribution from Global Bulk Economy, Global Direct, and Global Plus Contracts should be much smaller. Even if all the agreements for Global Bulk Economy, Global Direct, and Global Plus Contracts are signed at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


W. Ashley Lyons

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 11-6)

March 22, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments, but nonetheless arise from other sources, such as the Universal Postal Convention.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Governors' Decision No. 11-6

Page 2

With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission.

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established all prices that will cover [REDACTED] [REDACTED] costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegee(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a quarterly basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant, new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Governors' Decision No. 11-6

Page 3

This Decision does not supersede or otherwise modify Governors' Decision Nos. 08-5, 08-6, 08-7, 08-8, 08-10, 08-20, 08-24, 09-5, 09-6, 09-7, 09-14, 09-15, 09-16, 10-1, 10-2, 10-3, 10-6, and 10-7, nor does it affect the validity of prices and classifications established under those Decisions. Management may also continue to present to the Postal Regulatory Commission for its review, as appropriate, rate and classification changes to succeed the minimum and maximum non-published rates in Decision Nos. 10-2 and 10-6.

ORDER

In accordance with the foregoing Decision of the Governors, the prices set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:



Louis J. Giuliano
Chairman

Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [REDACTED]

[REDACTED]

The cost coverage for a product equals [REDACTED]

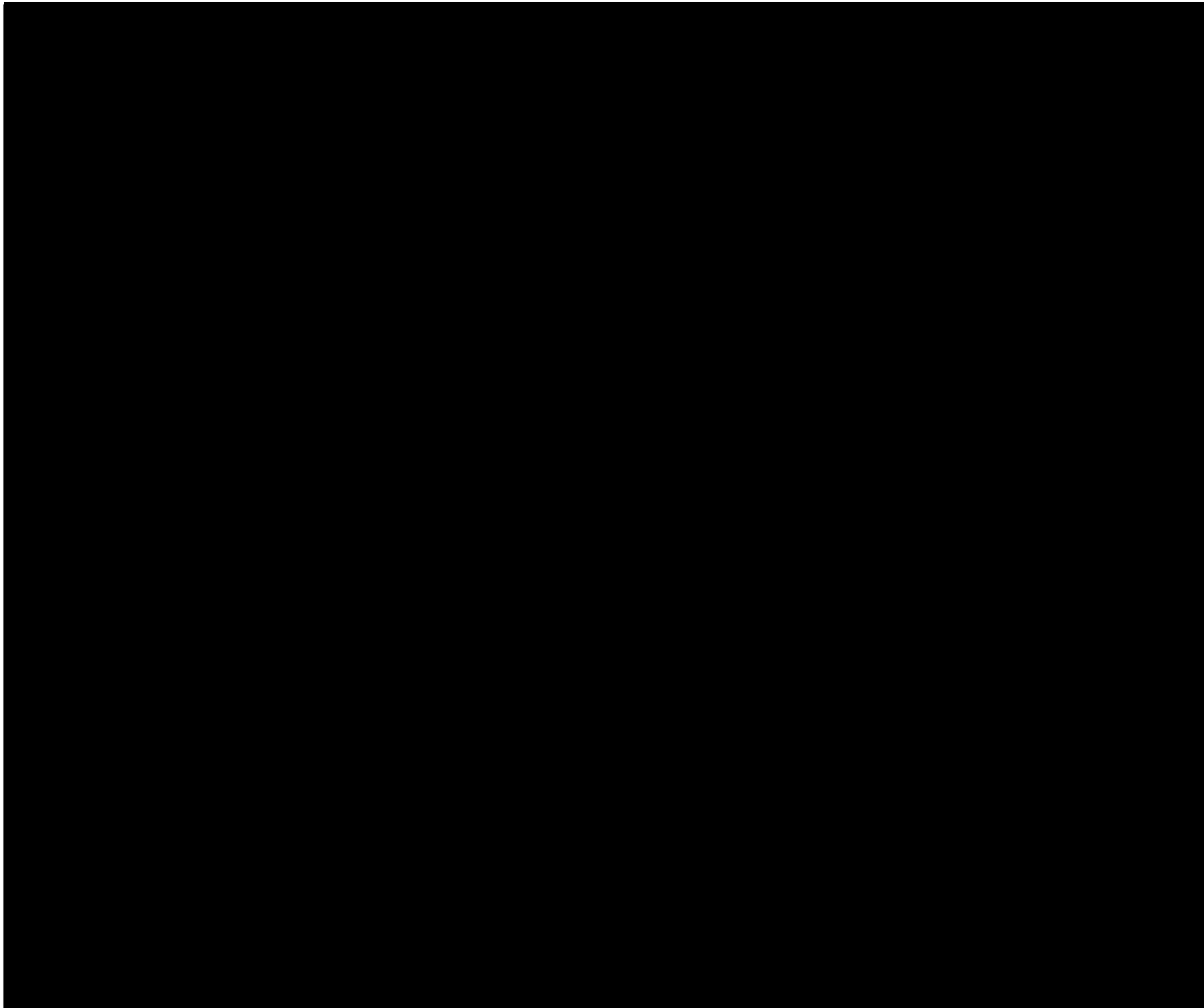
[REDACTED]

[REDACTED]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Express Mail, Parcel Return Service, Priority Mail International, Express Mail International, International Priority Airmail, International Surface Air Lift, Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and Inbound International Expedited Services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[REDACTED]

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[REDACTED]

Prices established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C. § 3633(a)(3), which, as implemented by (39 C.F.R. § 3015.7(c)) requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C. § 3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 11-6**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-6, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 3/22/2011

Attachment 2C Description of Applicable Global Plus Contracts¹

2510.6 Global Plus Contracts

2510.6.1 Description

- a. Global Plus Contracts provide prices for any combination of the following: International Priority Airmail (IPA), International Surface Air Lift (ISAL), Global Bulk Economy (GBE), Global Direct (GD), Global Express Guaranteed (GXG), Express Mail International (EMI), and Priority Mail International (PMI), Commercial ePacket (CeP), and International Business Reply Service (IBRS). These contracts are for high-volume mailers or Postal Qualified Wholesalers and are the only contract vehicles for IPA and ISAL mailings.
- b. The contracts include all destinations served by IPA, and/or ISAL, and/or GBE, and/or GD, and/or GXG, EMI, and/or PMI, and/or CeP and/or IBRS as specified by the Postal Service. The preparation requirements are the same as for all IPA shipments, and/or ISAL shipments, and/or GBE shipments, and/or GXG shipments, and/or EMI shipments, and/or PMI shipments, and/or CeP shipments, and/or International Business Reply Service (IBRS) shipments. For GD shipments, the preparation requirements are the preparation requirements for the given product set by the receiving country. The mailer may use Postal Service-supplied labeling software, or a non-Postal Service supplied labeling software that has the same functionality as the Postal Service-supplied labeling software for EMI and PMI shipments. The software allows for preparation of address labels and Customs declarations and submission of electronic shipment information to the Postal Service, as well as prepayment of Customs duties and taxes and pre-advice for foreign Customs authorities by the Postal Service. The mailer may be required to prepare specific shipments according to country specific requirements.
- c. To qualify for a Global Plus contract, a mailer must be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000.00 in international postage to the Postal Service.
- d. For a mailer to qualify, the contract must cover its attributable costs.
- e. Individual negotiated agreements must be on file with the Commission no less than 15 days prior to their effective date.

¹ The revisions to MCS 2510.8 in this document are revisions to MCS 2510.6 Global Plus Contracts, as it appears in Additional Supplemental Comments of United States Postal Service on Mail Classification Schedule, PRC Docket No. RM2011-8, July 29, 2011.

2510.6.2 Size and Weight Limitations

Letters[†]

Size and Weight Limitations are the same as those which appear at § 1125.2 Outbound Single-Piece First-Class Mail International, Letters

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	none
Maximum	11.5 inches	6.125 inches	0.25 inch	3.5 ounces

Postcards

Size and Weight Limitations are the same as those which appear at § 1125.2 Outbound Single-Piece First-Class Mail International, Postcards

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	none
Maximum	6 inches	4.25 inches	0.016 inch	not applicable

Large Envelopes (Flats)[†]

Size and Weight Limitations are the same as those which appear at § 1125.2 Outbound Single-Piece First-Class Mail International, Large Envelopes (Flats)

	Length	Height	Thickness	Weight
Minimum — At least one — dimension — exceeds	11.5 inches	6.125 inches	0.25 inch	none
Maximum	15 inches	12 inches	0.75 inches	4 pounds

Packages (Small Packets)

Size and Weight Limitations are the same as those which appear at § 1125.2 Outbound Single-Piece First-Class Mail International, Packages (Small Packets)

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	24 inches			4 pounds
	Length plus height plus thickness of 36 inches			

Rolls

Size and Weight Limitations are the same as those which appear at § 1125.2 Outbound Single-Piece First-Class Mail International, Rolls

	Length	Length plus twice the diameter	Weight¹
Minimum	4 inches	6.75 inches	none
Maximum	36 inches	42 inches	4 pounds

Global Express Guaranteed

Size and Weight Limitations are the same as those which appear at § 2305.2 Outbound International Expedited Services, Size and Weight Limitations, Global Express Guaranteed

Express Mail International

Size and Weight Limitations are the same as those which appear at § 2305.2 Outbound International Expedited Services, Size and Weight Limitations, Express Mail International

	<u>Length</u>	<u>Height</u>	<u>Thickness</u>	<u>Weight</u>
<u>Minimum</u>	<u>none</u>	<u>none</u>	<u>none</u>	<u>See Note 1</u>
<u>Maximum</u>	<u>36 inches</u>			
	<u>79 inches in combined length and girth</u>			

Notes

- ~~1. Country-specific restrictions may apply as specified in the International Mail Manual.~~

Priority Mail International

Size and Weight Limitations are the same as those which appear at § 2315.2 Outbound Priority Mail International, Size and Weight Limitations

	Length	Height	Thickness	Weight ¹
Minimum	5.5 inches	none	3.5 inch	none
Maximum	42 inches			70 pounds
	79 inches in combined length and girth			

Notes

- ~~1. Weight and other exceptional size limits based on shape and destination country restrictions may apply as specified in the International Mail Manual.~~

2510.6.3 Minimum Volume or Revenue Requirements

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The minimum volume requirement for GBE is 100 pounds per mailing. The mailer may be required to meet a volume minimum or weight requirement to use Global Direct service. If paying through permit imprint, the mailer is required to meet the minimum volume or weight requirements in effect for manifest mailings. For EMI paid through an Express Mail Corporate Account (EMCA), there is no minimum volume requirement per mailing.

2510.6.4 Price Categories

The discount percentage or price, as applicable to the service, is dependent upon volume or postage commitment on the part of the customer. Additional tiered discounts are available if the mailer exceeds the minimum volume or postage commitment. Also, separate charges apply if the customer uses labeling, harmonization, or return services.

The following price categories are available for the product specified in this section:

- Global Plus – IPA
- Global Plus – ISAL
- Global Plus – GBE
- Global Plus - GXG
- Global Plus – EMI
- Global Plus – GD
- Global Plus – PMI
- Global Plus – CeP
- Global Plus - IBRS

2510.6.5 Optional Features

The following additional services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service: EMI and PMI only
- International Ancillary Services (2615)
 - International Certificate of Mailing: IPA, PMI Flat Rate Envelope only (2615.1)
 - International Insurance: EMI, PMI parcels only (2615.5)
 - Outbound Competitive International Registered Mail: PMI Flat Rate Envelope only (2615.2)
 - International Restricted Delivery: PMI Flat Rate Envelope only (2615.4)
 - International Return Receipt: EMI, PMI only (2615.3)
- For GD, all optional features applicable to the product as set by the receiving country.
- Software-Related Services: EMI and PMI only
 - Labeling
At the mailer's request, the Postal Service will arrange for labels and Customs declarations to be applied.
 - Harmonization
At the mailer's request, the Postal Service will arrange for classification of merchandise according to country specified Customs regulations to determine applicable duties and taxes.

- Returns

At the mailer's request, the Postal Service will contract with a returns center appropriate for the particular country. The returns center inspects the goods it receives from the mailer's customers and returns the goods in bulk to the mailer in the United States. The Postal Service invoices the mailer for appropriate charges. The Postal Service may also charge for certain Express Mail International and Priority Mail International undeliverable-as-addressed returns when customs duties have been prepaid.

2510.6.6 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Global Plus 1A (expires January 1, 2011)
Baseline Reference
Docket Nos. MC2010-26, CP2010-67, and CP2010-68
PRC Order No. 504, July 30, 2010
Included Agreements
CP2010-67, expires the day prior to the date of any change in the published rates that affect the Qualifying Mail in this Agreement
CP2010-68, expires the day prior to the date of any change in the published rates that affect the Qualifying Mail in this Agreement
- Global Plus 2A (expires January 16, 2011)
Baseline Reference
Docket Nos. MC2010-27, CP2010-69, and CP2010-70
PRC Order No. 505, July 30, 2010
Included Agreements
CP2010-69, expires January 16, 2011
CP2010-70, expires January 16, 2011
- Global Plus 1B
Baseline Reference
Docket Nos. MC2011-7, CP2011-39, and CP2011-40
PRC Order No. 622, December 23, 2010
Included Agreements
CP2011-39, expires the day prior to the date in January 2012 of any change in the published rates that affect the Qualifying Mail in this Agreement or January 31, 2012, whichever occurs earlier
CP2011-40, expires the day prior to the date in January 2012 of any change in the published rates that affect the Qualifying Mail in this Agreement or January 31, 2012, whichever occurs earlier
- Global Plus 2B
Baseline Reference
Docket Nos. MC2011-8, CP2011-41, and CP2011-42
PRC Order No. 623, December 23, 2010
Included Agreements
CP2011-41, expires the day prior to the date of any change in the published rates that affect the Qualifying Mail in this Agreement or January 31, 2012, whichever occurs earlier
CP2011-42, expires the day prior to the date of any change in the published rates that affect the Qualifying Mail in this Agreement or January 31, 2012, whichever occurs earlier

Certification of Prices for the Global Plus 2 Contract with
[REDACTED]

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Global Plus 2 Contract with [REDACTED]. The prices contained in this contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, issued on March 22, 2011 (Governors' Decision No. 11-6), which established prices by means of price floor and ceiling formulas.

I hereby certify that the numerical cost values underlying the prices in the [REDACTED] Contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of in excess of the minimum required by the Governors' Decision, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Global Plus 2 Contracts should be even smaller. The Agreement with [REDACTED] should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Joseph Moeller

Certification of Prices for the Global Plus 2 Contract with
[REDACTED]

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Global Plus 2 Contract with [REDACTED]. The prices contained in this contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, issued on March 22, 2011 (Governors' Decision No. 11-6), which established prices by means of price floor and ceiling formulas.

I hereby certify that the numerical cost values underlying the prices in the [REDACTED] Contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of in excess of the minimum required by the Governors' Decision, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Global Plus 2 Contracts should be even smaller. The Agreement with [REDACTED] should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


Joseph Moeller

Statement of Supporting Justification

I, Frank Cebello, Executive Director, Global Business Management, am sponsoring the Request that the Commission add, as one product, the two Global Plus 2C contracts filed in Docket Nos. MC2012-5, CP2012-10 and CP2012-11 to the competitive products list for prices not of general applicability. The proposed revised Mail Classification Schedule (MCS) language for Global Plus describes the requirements for this type of contract. My statement supports the Postal Service's Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.*

As demonstrated below, the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).*

Not applicable. The Postal Service is proposing that the two Global Plus 2C contracts be added, as one product, to the competitive products list. Other functionally equivalent contracts would be added to the list as price categories under the Global Plus Contracts 2C listing.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.*

Adding these Global Plus 2C contracts to the competitive product list will improve the Postal Service's competitive posture, while enabling the Commission to verify that each contract covers its attributable costs and makes a positive contribution to coverage of institutional costs. These contracts, along with each contract that is functionally equivalent to these contracts, will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs paid for by competitive products. Accordingly, no issue of subsidization of competitive products by market dominant products arises.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

The Global Plus 2C contracts are for Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via Global Direct and/or Global Bulk Economy and/or International Business Reply Service. With Global Direct services, the Postal Service provides customers with a price for mail acceptance within the United States and transportation to a receiving country. Global Direct items bear the postal imprint of the receiving country and a return address in the receiving country. Global Bulk Economy allows customers to ship letter-post items that are dispatched in bulk via surface transportation to destination countries. International Business Reply Service allows U.S.-based entities who seek a

channel for returned merchandise or other articles from their overseas customers. Such entities typically supply preprinted, prepaid IBRS packaging in which their customers can place used or defective consumer items and enter them in the mailstream at no direct cost. The business entity compensates the Postal Service for this service, and the Postal Service remits to the relevant foreign postal administration the amount due for collection and transportation of the items in the foreign country. Under the Postal Service's previous statutory authority, customers have accessed Global Direct, Global Bulk Economy, and International Business Reply services through customized agreements.

When negotiating Global Plus 2 contracts, the Postal Service's bargaining position is constrained by the existence of other providers of similar services. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. Global Plus 2 contracts provide incentives for the tendering of Global Direct, Global Bulk Economy, and International Business Reply Service items, both of which should be deemed competitive by virtue of their exclusion from the letter monopoly, as well as the significant levels of competition they face in their respective markets. As with each of the respective underlying services in general, the Postal Service may not decrease quality or output without risking the loss of business to large competitors that offer similar international delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the contracts are premised on prices that provide sufficient incentive for customers to ship with the Postal Service rather than a competitor. If the Postal

Service were to raise these prices, it risks losing these customers to a private competitor in the international shipping industry.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696, subject to the exceptions set forth in 39 U.S.C. § 601.*

The Global Direct and Global Bulk Economy services fall outside the prohibition on private carriage of letters over post routes by virtue of suspensions to the Private Express Statutes for international remail, so the Global Direct and Global Bulk Economy services included in the Global Plus 2C contracts also fall outside that prohibition. See part (d) above.

Article 3(4) of the Global Plus 2C contracts states, concerning IBRS, that “No item may contain a letter or message directed to a specific person or address and recorded in or on a tangible object, except for invoices or similar letters relating to the item(s) contained in the same envelope.” Therefore, the IBRS services included in the Global Plus 2C contracts do not concern items that could be considered to be “letters” as defined by 39 C.F.R. § 310.1(a).

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

See part (d) above. Private consolidators, freight forwarders and integrators also offer international shipping arrangements whereby they provide analogous delivery services under similar conditions. For Global Direct, mailers with large enough volumes also may find it advantageous to enter mail directly with foreign posts, without the Postal Service’s assistance. For Global Bulk Economy, foreign posts operating in the United States are a prime source of

competition. For International Business Reply Service, private consolidators, freight forwarders, and integrators also offer international shipping arrangements whereby they provide analogous delivery services under similar conditions.

- (g) *Provide any available information on the views of those who use the product on the appropriateness of the proposed modification.*

As discussed above, the customers for these Global Plus 2C contracts are PQWs and other large businesses that offer mailing services to end users for shipping articles via Global Direct and/or Global Bulk Economy and/or International Business Reply Services. These customers have previously entered into Global Plus Contracts that covered a number of different services, including Global Direct and Global Bulk Economy, with the Postal Service pursuant to the latter's former authority, and they find the arrangement sufficiently attractive to merit continuation. This indicates that the relevant segment of postal customers in general, as well as their end users, find this type of product to be preferable to similar products offered by the Postal Service's competitors. In addition, other customers have entered into IBRS Contracts with the Postal Service pursuant to the Postal Service's authority to enter into IBRS Contracts.¹ This indicates that at least some postal customers, in general, find the IBRS product to be preferable to similar products offered by the Postal Service's competitors. Customers are aware that competitive services are

¹ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for International Business Reply Service (IBRS) Contracts (Governors' Decision No. 08-24), Attachment 2 to Request of the United States Postal Service to Add International Business Reply Service Contracts to the Competitive Products List, and Notice of Filing (Under Seal) Contract and Enabling Governors' Decision, PRC Dockets Nos. MC2009-14 and CP2009-20, December 24, 2008.

provided by other entities. However, no specific data are available to the Postal Service on Global Plus 2 customer views regarding the regulatory classification of these contracts.

(h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

The market for international delivery services comparable to Global Direct and Global Bulk Economy and International Business Reply Service is highly competitive. Therefore, addition of Global Plus Contracts 2C will likely have little, if any, impact upon small business concerns. Large shipping companies, consolidators, freight forwarders and foreign posts operating in the United States serve this market, particularly with respect to the type of customers represented by these Global Plus 2C contracts; the Postal Service is unaware of any small business concerns that could offer comparable service for these volumes.

In addition, these Global Plus 2C contracts will form the basis for the PQW customers' service offerings to their own end users, which include small businesses. By offering the prices in these Global Plus 2C contracts, the Postal Service is giving small businesses an additional option for shipping articles internationally, beyond the services offered by competitors. Thus, the net impact on small businesses is positive, because of the absence of negative impact on small business competitors and the positive impact on the small businesses that will use the services that the Global Plus 2C customers can offer them under these contracts.

- (i) *Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

The customer eligibility criteria contained in the proposed MCS language for Global Plus are consistent with those in the Global Plus product classification in the version of the MCS that the Postal Service most recently filed with the Commission.²

² See MCS 2510.6 Global Plus Contracts in Additional Supplemental Comments of United States Postal Service on Mail Classification Schedule, PRC Docket No. RM2011-8, July 29, 2011.